SAINT MARY'S
COLLEGE OF CALIFORNIA

AUDITED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2024 and 2023

Independent Auditors' Report

To the Board of Trustees of
Saint Mary's College of California

Opinion

We have audited the financial statements of Saint Mary's College of California (the College), which comprise the balance sheets as of June 30, 2024 and 2023, and the related statements of activities, cash flows and functional expenses, for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the financial statements are approved and issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Minneapolis, Minnesota
November 26, 2024

Saint Mary's College of California

Balance Sheets
June 30, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 6,294	$ 11,095
Investments (Note 3)	3,438	3,690
Student receivables, net	2,722	2,959
Contributions receivable, net (Note 4)	2,501	3,656
Accounts receivable, other	1,706	1,577
Prepaid expenses and other	2,482	1,824
Total current assets	19,143	24,801
Noncurrent Assets		
Investments (Note 3)	208,508	183,976
Contributions receivable, net (Note 4)	10,369	9,744
Notes receivable, net (Note 5)	55	101
Other assets	410	410
Operating lease, right-of-use assets (Note 9)	190	102
Assets held for sale (Note 2)	1,457	-
Property, plant and equipment, net of accumulated depreciation (Note 6)	128,787	133,469
Total noncurrent assets	349,776	327,802
Total assets	$ 368,919	$ 352,603
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 15,780	$ 13,256
Line of credit payable (Note 7)	4,000	9,000
Interest rate swap liability (Note 8)	-	5,524
Current portion of long-term debt (Note 8)	-	1,650
Current portion of leases (Note 9)	612	568
Deferred revenue (Note 2)	6,733	6,863
Total current liabilities	27,125	36,861
Noncurrent Liabilities		
Liabilities under trust agreements (Note 2)	1,884	2,041
Long-term debt, excluding current portion, net (Note 8)	106,364	48,591
Long-term leases, excluding current portion, net (Note 9)	223	681
Post retirement benefits payable (Note 10)	1,664	1,397
Asset retirement obligations (Note 2)	2,586	2,586
Federal government grants refundable (Note 5)	13	152
Total noncurrent liabilities	112,734	55,448
Total liabilities	139,859	92,309
Net Assets		
Without donor restrictions	47,461	83,251
With donor restrictions:		
Time or purpose	28,484	31,029
Endowment returns subject to future appropriation	46,890	28,342
Perpetual	106,225	117,672
Total net assets	229,060	260,294
Total liabilities and net assets	$ 368,919	$ 352,603

See notes to financial statements

Saint Mary's College of California

Statement of Activities
Year Ended June 30, 2024
With Comparative Totals for 2023
(Dollars in Thousands)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Revenues and Gains				
Tuition and fees	$ 56,039	$ -	$ 56,039	$ 58,808
Sales and services of auxiliary enterprises	22,348	-	22,348	20,211
Grant and contract revenue	1,189	745	1,934	9,340
Contributions	4,706	5,468	10,174	8,032
Endowment income and realized gains distributed	8,010	-	8,010	13,830
Other	4,069	974	5,043	5,472
Total operating revenues and gains	96,361	7,187	103,548	115,693
Net Assets Released From Restrictions	7,118	(7,118)	-	-
Total operating revenue, gains and other support	103,479	69	103,548	115,693
Expenses				
Instruction	40,085	-	40,085	37,464
Academic support	11,586	-	11,586	11,480
Student services	29,956	-	29,956	28,528
Institutional support	31,510	-	31,510	29,650
Operations and maintenance of plant	12,811	-	12,811	10,035
Interest	4,594	-	4,594	2,993
Auxiliary enterprises	8,320	-	8,320	10,892
Total operating expenses excluding depreciation	138,862	-	138,862	131,042
Change in net assets from operations before depreciation expense	(35,383)	69	(35,314)	(15,349)
Depreciation expense	7,329	-	7,329	7,342
Change in net assets from operations	(42,712)	69	(42,643)	(22,691)
Nonoperating				
Contributions	284	2,357	2,641	4,851
Net (loss) gain and income on endowments, net of distributions	1,377	4,578	5,955	(5,015)
Net gain (loss) and income on other investments	1,393	(114)	1,279	-
Other nonoperating expense	(703)	-	(703)	(7)
Unrealized gain on interest rate swap	1,974	-	1,974	2,956
Actuarial adjustments	-	263	263	82
Net assets released from restrictions	2,597	(2,597)	-	-
Increase from nonoperating activities	6,922	4,487	11,409	2,867
Change in net assets	(35,790)	4,556	(31,234)	(19,824)
Net Assets, Beginning	83,251	177,043	260,294	280,118
Net Assets, Ending	$ 47,461	$ 181,599	$ 229,060	$ 260,294

See notes to financial statements

Saint Mary's College of California

Statement of Activities
Year Ended June 30, 2023
(Dollars in Thousands)

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Gains			
Tuition and fees	$ 58,808	$ -	$ 58,808
Sales and services of auxiliary enterprises	20,211	-	20,211
Grant and contract revenue	7,710	1,630	9,340
Contributions	5,379	2,653	8,032
Endowment income and realized gains distributed	13,830	-	13,830
Other	4,798	674	5,472
Total operating revenues and gains	110,736	4,957	115,693
Net Assets Released From Restrictions	4,038	(4,038)	-
Total operating revenue, gains and other support	114,774	919	115,693
Expenses			
Instruction	37,464	-	37,464
Academic support	11,480	-	11,480
Student services	28,528	-	28,528
Institutional support	29,650	-	29,650
Operations and maintenance of plant	10,035	-	10,035
Interest	2,993	-	2,993
Auxiliary enterprises	10,892	-	10,892
Total operating expenses excluding depreciation	131,042	-	131,042
Change in net assets from operations before depreciation expense	(16,268)	919	(15,349)
Depreciation expense	7,342	-	7,342
Change in net assets from operations	(23,610)	919	(22,691)
Nonoperating			
Contributions	31	4,820	4,851
Net (loss) gain and income on endowments, net of distributions	511	(5,526)	(5,015)
Net gain and income on other investments	-	-	-
Other nonoperating expense, VSIP	(7)	-	(7)
Unrealized gain on interest rate swap	2,956	-	2,956
Actuarial adjustments		82	82
Net assets released from restrictions	4,411	(4,411)	-
Increase from nonoperating activities	7,902	(5,035)	2,867
Change in net assets	(15,708)	(4,116)	(19,824)
Net Assets, Beginning	98,959	181,159	280,118
Net Assets, Ending	$ 83,251	$ 177,043	$ 260,294

See notes to financial statements

Saint Mary's College of California

Statements of Cash Flows
Years Ended June 30, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Cash Flows From Operating Activities		
Change in net assets	$ (31,234)	$ (19,824)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	7,329	7,342
Amortization of issuance costs	20	137
Noncash lease expense	152	164
Actuarial adjustment of annuities payable	(263)	(82)
Net gain on investments and other assets	(12,940)	(8,235)
Gain from interest rate swap	(1,974)	(2,956)
Loss on disposal of fixed assets	86	-
Student loans assigned and cancelled	99	253
Decrease in student loan allowance	(215)	-
Write-off on debt issuance costs	1,414	-
Contributions restricted for plant and long-term investment	(2,641)	(4,851)
Changes in operating assets and liabilities:		
Student receivables, net	237	(1,228)
Contributions receivable, net	1,155	211
Accounts receivable, other	(129)	602
Prepaid expenses, and other assets	(658)	238
Accounts payable and accrued liabilities	3,458	(742)
Post retirement liability	106	602
Deferred revenue	(130)	1,871
Liabilities under trust agreements	-	44
Net cash flows from operating activities	(36,128)	(26,454)
Cash Flows From Investing Activities		
Capital expenditures	(5,086)	(7,647)
Purchases of investments	(149,678)	(84,774)
Proceeds from sales of investments	138,556	107,241
Repayments of loans from students	162	141
Net cash flows from investing activities	(16,046)	14,961
Cash Flows From Financing Activities		
Decrease in refundable government grants	(139)	(470)
Payments on long-term debt	(51,675)	(1,600)
Proceeds from debt refinancing, net of discount	107,779	-
Termination of interest rate swap	(3,550)	-
Payment of debt issuance costs	(1,415)	-
Financing lease payments	(531)	(531)
Payments to annuitants	(112)	(130)
Proceeds from line of credit	4,800	9,000
Payments on line of credit	(9,800)	-
Contributions received for plant and long-term investment	2,016	5,955
Net cash flows from financing activities	47,373	12,224
Change in cash and cash equivalents	(4,801)	731
Cash and Cash Equivalents, Beginning	11,095	10,364
Cash and Cash Equivalents, Ending	$ 6,294	$ 11,095
Supplemental Cash Flow Information		
Cash paid for interest	$ 3,484	$ 2,621
Noncash Investing and Financing Activities		
Construction in progress included in accounts payable	$ 720	$ 1,493

See notes to financial statements

Saint Mary's College of California

Statement of Functional Expenses
Year Ended June 30, 2024
(Dollars in Thousands)

	Program Services				Supporting Services		
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Operations and Maintenance of Plant	Total
Compensation	$ 37,600	$ 7,170	$ 19,363	$ 1,547	$ 17,778	$ 3,305	$ 86,763
Academic and student program costs	1,171	2,523	2,020	61	703	35	6,513
Information technology	3	707	203	41	3,485	212	4,651
Facility and equipment expense	34	54	207	600	731	5,886	7,512
Travel	202	75	6,197	-	563	8	7,045
Contracted services	396	127	784	6,040	3,828	3,272	14,447
Other expenses	679	930	1,182	31	4,422	93	7,337
Depreciation expense	2,215	493	984	2,311	1,015	311	7,329
Interest expense	1,251	-	-	2,144	935	264	4,594
Total expenses	$ 43,551	$ 12,079	$ 30,940	$ 12,775	$ 33,460	$ 13,386	$ 146,191

See notes to financial statements

Saint Mary's College of California

Statement of Functional Expenses
Year Ended June 30, 2023
(Dollars in Thousands)

	Program Services				Supporting Services		
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Operations and Maintenance of Plant	Total
Compensation	$ 34,830	$ 6,742	$ 15,658	$ 1,391	$ 17,359	$ 2,752	$ 78,732
Academic and student program costs	963	2,425	3,141	64	558	29	7,180
Information technology	8	1,137	271	51	2,900	204	4,571
Facility and equipment expense	104	228	865	3,901	639	3,659	9,396
Travel	257	42	6,884	2	295	3	7,483
Contracted services	688	89	662	4,580	3,414	3,249	12,682
Other expenses	614	817	1,047	903	4,485	139	8,005
Depreciation expense	2,218	494	986	2,315	1,017	312	7,342
Interest expense	815	-	-	1,397	609	172	2,993
Total expenses	$ 40,497	$ 11,974	$ 29,514	$ 14,604	$ 31,276	$ 10,519	$ 138,384

1. Nature of Organization

Saint Mary's College of California (the College) is an independent Liberal Arts, Catholic and Lasallian institution of higher education that is operated by the Brothers of the Christian Schools (Christian Brothers), the oldest religious order in the Catholic Church devoted exclusively to teaching. Chartered by the State of California in 1872 and operated continuously since that date, the College is among the oldest colleges in the West. The College grants baccalaureate and master's degrees in liberal arts, science, business administration and education, including a doctorate in education. The College is classified as a Masters I (comprehensive) institution by the Carnegie Commission on Higher Education. Student headcount enrollment in fall 2023 and fall 2022 totaled 2,324 and 2,191 full-time and 451 and 574 part-time students, respectively.

2. Basis of Presentation and Summary of Significant Accounting Policies

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Net assets and changes therein are classified as follows:

With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the College or the passage of time or that are to be permanently maintained by the College. The College's net assets held in perpetuity are endowment funds invested to support scholarships and various academic programs.

Without Donor Restrictions - Net assets not subject to donor-imposed restrictions that are available for use in general operations, board designated endowments or invested in property, plant and equipment.

The Board of Trustees has established policies to designate a portion of bequests absent of donor restrictions, received by the College as endowment so that the funds can be invested and provide sustainable income streams for operating needs. These designations can be removed at any time by the Board of Trustees.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is limited by explicit donor restriction or by law. Expiration of donor restrictions (i.e., the donor restricted purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Net assets released on the statements of activities include funds for program, scholarships and institutional support.

Unconditional contributions, including promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until they become unconditional, that is, when the conditions on which they depend are met. Contributions to be received in more than one year are discounted at a discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions.

Contributions of property, plant and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire property, plant and equipment are reported as revenues with donor restrictions. The restrictions are considered to be released when the asset is placed in service, unless stipulated otherwise by the donor, as the asset is constructed.

Asset Classification

Current assets are used to designate cash and other assets that are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the College.

Noncurrent assets are used to designate such resources as (a) cash and claims to cash, which are restricted as to withdrawal or use for other than current operations, are designated for expenditure in the acquisition or construction of noncurrent assets, or are segregated for the liquidation of long-term debts; (b) receivables which are not expected to be collected within twelve months; (c) land and other natural resources; (d) depreciable assets (including right-of-use assets); and (e) long-term prepayments which are fairly chargeable to the operations of several years. Contributions receivable including amounts due in more than one year, those related to property, plant and equipment and endowments are included as noncurrent.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. For purposes of the statements of cash flows, the College considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. At June 30, 2024 and 2023, cash restricted for loan funds totaled $364 and $190, respectively.

Prepaid Expenses and Other

Prepaid expenses consist of dues, travel fees paid for semester abroad programs and other expenses whose benefit will be realized in the next fiscal year.

Investments

Investments designated for use in acquiring property, plant and equipment, true endowment gifts (including expendable realized gains), board designated endowment and annuity and life income trusts have been classified as noncurrent in the accompanying balance sheets.

Expendable investments, including board designated investments (other than endowment investments) without donor restrictions have been classified as current in the accompanying balance sheets.

Student Receivables, Net

Student receivables are recorded net of an allowance for credit losses to present the net amount expected to be collected as of the balance sheet date. The allowance for credit losses was $174 as of June 30, 2024 and 2023, and is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the balance sheet date. Receivables are written off when the College determines that such receivables are deemed uncollectible. Receivables are generally unsecured. A student account receivable is considered delinquent if not paid by the due date. A monthly service fee is charged on delinquent amounts.

The College utilizes the loss rate method in determining its lifetime expected credit losses on its receivables from contracts with customers. This method is used for calculating an estimate of losses based primarily on the Company's historical loss experience. In determining its loss rates, the College evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables.

The net contract receivables from students totaled $1,117, $1,522 and $2,038 at June 30, 2024, 2023 and 2022, respectively.

Property, Plant and Equipment, Net

Property, plant and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts-in-kind. The College capitalizes property, plant and equipment additions of $10 to $50, depending on the type of addition. Cost includes the related net interest expense incurred on funds borrowed for construction of facilities. Depreciation is provided on equipment using the straight-line method over the estimated useful lives ranging from 3 to 5 years. Depreciation is provided for longer-lived equipment using the straight-line method over the estimated useful lives ranging from 5 to 10 years. Depreciation was provided on buildings and improvements using the straight-line method over useful lives ranging from 10 to 30 years, and up to 50 years for buildings placed in service after 2000.

Assets Held for Sale

The College reclassified the net book value of certain land and buildings intended to be sold to assets held for sale.

Liabilities Under Trust Agreements

The College uses the actuarial method of recording annuity and life income contracts and agreements. Under this method, the asset is recorded at fair value when a gift is received and is included in noncurrent investments. The present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables and the remainder is recorded as a contribution in the appropriate net asset category. The liability account is credited with investment income and gains and is charged with investment losses and payments to beneficiaries.

Periodic adjustments are made between the liability account and the net asset account for actuarial gains and losses. The actuarial liability is based on the present value of future payments discounted at rates ranging between 2.0% and 7.0% and on estimated lives according to the applicable mortality tables.

The College is subject to additional legally mandated annuity reserve requirements by the State of California on its California gift annuity contracts. As of June 30, 2024 and 2023, the College's annuity reserve accounts, included in investments, is in compliance with these regulations. In addition, total assets recorded on the balance sheets related to these agreements totaled approximately $597 and $707 for the years ended June 30, 2024 and 2023, respectively.

In January 2017, the College implemented a Grantor Trust, funded solely by the College, to provide for certain insured health benefits for those employees covered under the Post-Retirement Healthcare Plan. The College has delegated much of the plan administration to Emeriti Retirement Health Solutions. As of June 30, 2024 and 2023, the liability under this plan was $855 and $887, respectively, and is included in the liabilities under trust agreements on the balance sheets.

Works of Art, Historical Treasures and Similar Assets

Contributions of works of art, historical treasures and similar assets held as part of a collection, for education, research, or public exhibition rather than for sale, are not recognized or capitalized. Significant contributions of works of art, historical treasures and similar assets not held as part of a collection are recorded as revenue and assets at their estimated fair value at the date of receipt based upon appraisals or similar valuations.

Unemployment Self-Insurance

The College reimburses applicable States for actual unemployment benefits paid resulting from previous employment with the College in lieu of making regular contributions to the State based on wages and salaries.

Federal and State Income Tax

The College qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is exempt from federal and state income taxation on related sources of income. The College is, however, subject to federal and state income tax on unrelated business income and an appropriate provision for any such taxes is included in the accompanying financial statements.

The College follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the College for uncertain tax positions as of June 30, 2024 and 2023. The College's tax returns are subject to review and examination by federal and state authorities.

Use of Estimates

Management of the College has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Concentrations

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, investments, accounts receivable and notes receivable. Cash and cash equivalents in excess of Federal Deposit Insurance Corporation (FDIC) and similar coverages is subject to the usual risks of balances in excess of those limits. The majority of the College's cash and cash equivalents are on deposit with a single bank. Investments are diversified in order to limit credit risk. Student notes and receivables and other receivables are due from a variety of sources concentrated primarily in the Northwestern United States. In addition, the College's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by government agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's program and activities.

Revenue From Contracts With Students

Revenue from contracts with students for tuition and fees, residential services and meal plan services is reported at the amount that reflects the consideration the College expects to be entitled in exchange for providing instruction and housing, food and other services. These amounts are due from students, third-party payers and others and are net of scholarships and institutional aid of $68,067 and $60,991 for the years ended June 30, 2024 and 2023, respectively.

(Dollars in Thousands)

Tuition and Fees revenue is recognized in the period during which the related academic services are rendered. Revenue from auxiliary enterprises is recognized when goods or services are provided. In addition, students who adjust their course load or withdraw completely within the first eight weeks of the semester may receive a partial refund in accordance with the College's refund policy. Refunds issued reduce the amount of revenue recognized. Generally, the College bills students prior to the beginning of the semester and student accounts receivable are due in full before classes begin. Student tuition and fees received in advance of services being rendered are recorded as deferred revenue on the balance sheets. Performance obligations for certain ancillary services are satisfied when the services are performed. The College applies the practical expedient as allowed for within the accounting standards and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less. All remaining performance obligations will be satisfied in connection with the completion of the 2024/2025 academic year. The College determines the transaction price based on standard charges for goods and services provided, reduced by discounts relating to institutional scholarships, both funded and unfunded, in accordance with the College's policies.

Deferred Revenue

These amounts represent payments received for College tuition and fees prior to the start of the academic terms. As of June 30, 2024, certain summer terms have not yet begun; thus, all revenue received relating to the 2024 summer and fall 2024 terms are included in deferred revenue. The following table notes the activity within the deferred revenue accounts relating to tuition and fees.

	2024	2023
Balance at beginning of the year	$ 6,863	$ 4,992
Revenue recognized during the year	(6,863)	(4,992)
Cash received in advance of performance	6,733	6,863
Balance at end of the year	$ 6,733	$ 6,863

Asset Retirement Obligations

Asset retirement obligations are estimated costs and obligations associated with the retirement of long-lived assets. These liabilities were initially recorded at fair value and the related asset retirement costs were recorded as decreases in net assets without donor restrictions. The asset retirement obligation is recorded as a noncurrent liability on the balance sheets. The estimated asset retirement obligation is determined annually at June 30 to reflect remediation efforts as well as to reflect updated costs for abatement.

Expenses by Function

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the College. These expenses include depreciation and amortization and interest. Depreciation is allocated based on square footage and interest is allocated based on usage of space. Fundraising costs of $4,055 and $4,000 for the years ended June 30, 2024 and 2023, respectively, are included in institutional support.

New Accounting Pronouncement – Implemented in Current Year

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On July 1, 2024, the College adopted using the modified retrospective approach. The adoption of the standard did not have a material impact on the financial statements.

Reclassifications

Certain amounts appearing in the 2023 financial statements have been reclassified to conform with the 2024 presentation.

Subsequent Events Review

The College has evaluated subsequent events through November 26, 2024, which is the date that the financial statements were approved and issued.

Subsequent to year end, management received an intent to purchase from a potential buyer for the Rheem property with a carrying value of $1,457,399. The purchase price of the building is $7,825,000 and the College expects to close on the sale in early 2025.

3. Fair Value of Financial Instruments

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which is based upon the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities, that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability or market corroborated inputs.

Level 3 - Inputs are unobservable for the assets or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

Assets

Level 1 assets include investments in short-term investments, comprised primarily of money market funds, fixed income securities, equity securities, mutual funds and real estate funds that are actively traded.

Level 2 assets include investments in fixed income securities, comprised of U.S. Treasury notes and municipal and corporate bonds.

Liabilities

Level 2 liabilities include an interest rate swap agreement as the fair value is based on observable inputs to a valuation model (interest rates, credit spreads, etc.) which take into account the present value of the estimated future cash flows and credit valuation adjustments.

The College measures the fair value for their investment in certain mutual funds, non-U.S. equity funds, private equity funds, risk parity composite fund and real estate asset funds (alternative investments) based on net asset value (NAV) as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. If not determined as of the College's measurement date, NAV is adjusted to reflect any significant events that would materially affect the security's value. Certain attributes that impact the security's fair value may not be reflected in NAV, including, but not limited to, the investor's ability to redeem the investment at the measurement date and unfunded purchase commitments. If the College sold all or a portion of its alternative investment, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions and the overall economic environment.

Investments at cost include money market accounts. Money market accounts, cash and certificates of deposit included in investment accounts are reported at cost, which approximates fair value and are excluded from the fair value tables below.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

There have been no changes in the techniques and inputs used as of June 30, 2024 and 2023.

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

(Dollars in Thousands)

The table below presents the balances of assets measured at fair value on a recurring basis as of June 30, 2024:

	Total	Level 1	Level 2	Level 3
Assets:				
Short-term investments	$ 30,160	$ 30,160	$ -	$ -
Fixed income securities	33,502	18,878	14,624	-
U.S. equity securities	49,301	49,301	-	-
Non-U.S. equity securities	7,304	7,304	-	-
Mutual funds				
Domestic fixed income	4,151	4,151	-	-
Real estate funds	3,360	3,360	-	-
Subtotal assets by valuation hierarchy	127,778	$ 113,154	$ 14,624	$ -
Investments measured using NAV:				
Non-U.S. equities fund	8,366			
Private equity funds	31,546			
Risk parity composite funds	16,683			
Real estate funds	12,407			
Subtotal assets by NAV	69,002			
Total investments at fair value	196,780			
Total investments at cost	15,166			
Total investments	$ 211,946			

(Dollars in Thousands)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2023:

	Total	Level 1	Level 2	Level 3
Assets:				
Short-term investments	$ 14,687	$ 14,687	$ -	$ -
Fixed income securities	34,297	22,928	11,369	-
U.S. equity securities	55,313	55,313	-	-
Non-U.S. equity securities	7,764	7,764	-	-
Mutual funds				
Domestic fixed income	4,261	4,261	-	-
Real estate funds	3,688	3,688	-	-
Subtotal assets by valuation hierarchy	120,010	$ 108,641	$ 11,369	$ -
Investments measured using NAV:				
Non-U.S. equities fund	9,975			
Private equity funds	27,867			
Risk parity composite funds	8,039			
Real estate funds	10,359			
Subtotal assets by NAV	56,240			
Total investments at fair value	176,250			
Total investments at cost	11,416			
Total investments	$ 11,416			
Liabilities:				
Interest rate swap	$ 5,524	$ -	$ 5,524	$ -

(Dollars in Thousands)

Investments in a non-U.S. equities fund measured at NAV have no unfunded commitments or subscriptions and are able to be redeemed in the near term. The following table lists the investments measured at NAV for which there are redemption limitations:

	Private Equity Funds	Real Estate Funds	Risk Parity Composite Funds
Fair Value, June 30, 2024	$31,546	$12,407	$16,683
Fair Value, June 30, 2023	$27,867	$10,359	$8,039
Significant investment strategy	Primarily buyout, Venture and growth equity in U.S.	U.S. real estate	Globally diversified, balances equity, fixed income and commodity markets
Remaining life	0 to 5 years	3 to 10 years	N/A
Dollar amount of unfunded commitments	$23,290	$5,840	N/A
Timing to draw down commitments	1 to 5 years	N/A	N/A
Redemption terms	N/A	N/A	Can liquidate within 30 days

4. Contributions Receivable, Net

The carrying value of contributions receivable is based on a discounted cash flow methodology using discount rates consistent with the expected maturities of the pledges, adjusted for consideration of the donor's credit. Contributions receivable, net of discount to present value and allowance for uncollectible accounts are due to be collected as follows:

	2024	2023
Current, net of discount	$ 2,501	$ 3,656
Noncurrent:		
Restricted receivables, net of discount	9,064	7,987
Receivables designated/restricted for acquiring property, plant and equipment, net of discount	814	971
Endowment receivables, net of discount	491	786
Total noncurrent	10,369	9,744
Total contributions receivable	$ 12,870	$ 13,400
Gross amounts due in:		
Less than one year	$ 2,929	
One to five years	6,902	
More than five years	4,360	
Total contributions receivable	14,191	
Less allowance for uncollectible accounts	(250)	
Less discount to present value	(1,071)	
	$ 12,870	

Gross contributions receivable of $8,560 as of June 30, 2024 are due from one donor. Gross contributions receivable of $10,200 as of June 30, 2023 were due from one donor.

(Dollars in Thousands)

5. Notes Receivable, Net

Notes receivable, net as of June 30, 2024 and 2023 consisted of the following:

	2024	2023
Federal Perkins loan program	$ 425	$ 686
Less allowance for credit losses	(370)	(585)
Student loans receivable, net	$ 55	$ 101

The Extension Act amended section 461 of the Higher Education Act to end the College's authority to make new Federal Perkins Loans to the Department of Education or liquidate their Federal Perkins Loan Program due to the wind-down of the Federal Perkins Loan Program. However, the College may choose to liquidate at any time in the future.

Allowances for credit losses are established based on prior collection experience and current economic factors, which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. At June 30, 2024 and 2023, student loans represented less than 1% of total assets.

Funds advanced by the Federal government of approximately $13 and $152 at June 30, 2024 and 2023, respectively, are ultimately refundable to the government and are classified as liabilities on the balance sheets.

6. Property, Plant and Equipment, Net of Accumulated Depreciation

Property, plant and equipment, net as of June 30, 2024 and 2023 consisted of the following:

	2024	2023
Land	$ 36	$ 1,336
Land improvements	20,780	20,044
Buildings and building improvements	232,320	232,805
Furniture, fixtures and equipment	23,924	23,992
Vehicles	878	878
Construction in progress	5,621	5,114
	283,559	284,169
Less accumulated depreciation	(154,772)	(150,700)
	$ 128,787	$ 133,469

For the period ended June 30, 2024 and 2023, right-of-use assets from finance leases of $2,016 and $2,139, respectively, are included in property, plant and equipment, net. For more information on the related lease liability, see Note 9.

(Dollars in Thousands)

7. Line of Credit

The College has a revolving line of credit with Bank of America in the amount of $5,000 for operating cash flow purposes and advances accrued interest at Daily Secured Overnight Financing Rate (SOFR) Rate plus 1.15% (6.59% at June 30, 2024). As of June 30, 2024 and June 30, 2023, the outstanding balance was $4,000 and $9,000, respectively. This line of credit is available through March 31, 2025 and is secured by a security interest in the deed of trust along with the California Educational Facilities Authority (CEFA) Series 2023A bonds.

During the years ended June 30, 2024 and 2023, the College had reserved $84 and $141, respectively, as one of the standby letter of credit in support of the high deductible insurance program for the College's workers' compensation plan, which renews annually on July 1, and the second letter of credit is for student federal aid financial protection refund reserve.

8. Long-Term Debt, Net

Long-term debt as of June 30, 2024 and 2023 consisted of the following:

	2024	2023
California Educational Facilities Authority 2007 Revenue Bonds, interest reset monthly (5.12% at June 30, 2023), under terms of a five-year Direct Purchase agreement with Bank of America Public Capital Corporation. The bonds were to mature in 2043 but were paid in November 2023.	$ -	$ 51,675
California Educational Facilities Authority 2023A Revenue Bonds, interest reset semi-annually (5.36% at June 30, 2024), under terms of a five-year Direct Purchase agreement with U.S. Bank Trust Company, National Association. The bonds are to mature in 2053.	110,000	-
Principal outstanding on long-term debt	110,000	51,675
Bond issuance costs	(1,473)	(1,434)
Bond discount	(2,163)	
Total long-term debt, net	106,364	50,241
Less current portion	-	(1,650)
	$ 106,364	$ 48,591

The College had a direct purchase agreement with Bank of America Public Capital Corporation for the CEFA 2007 bonds that had a maturity date of October 2, 2024. As a result of the agreement, the interest on the bonds is adjusted monthly based upon the monthly LIBOR rate plus the applicable spread based on the College's Moody's rating. One June 1, 2023, the application index changed from LIBOR to SOFR. The applicable spread as of June 30, 2023 was 90 basis points. The Bonds were secured by an unrestricted gross revenue pledge of the College. The bonds were refinanced with the issuance of the CEFA 2023A bonds in November 2023. The 2007 CEFA bonds were retired using the proceeds from the CEFA 2023A Bond.

On November 16, 2023, the College was issued a 20 year California Educational Facilities Authority ("CEFA") Revenue Bond Series 2023A from Wells Fargo in the amount of $110,000. As part of the CEFA issuance, the College used the proceeds to pay off the previously issued series 2007 bonds, pay off the line of credit balance and retire the SWAP agreement. The remaining proceeds were used for working capital. Interest only payments are required semi-annually beginning April 1, 2024, with principal and interest payments beginning payments beginning October 1, 2030. The bonds mature on October 1, 2053 and bears an interest rate of 5.0-5.5%. The Bonds are secured by a security interest in the deed of trust granting a lien on and security interest in substantially all of the property, plant and equipment of the College (Note 6).

The CEFA Series 2023A bond agreements contain various covenants, which include maintenance of certain financial ratios, as defined in the agreements. The covenant requires the College to maintain, at all times, a cash and investments to debt ratio of no less than 0.75 to 1.00 measured on an annual basis at the end of each fiscal year. The College was in compliance, as determined by the bank, with all covenants as of June 30, 2024.

Interest Rate Swap

The College had issued variable-rate demand bond (VRDB) debt to finance the construction and renovation of buildings and to defease the CEFA 2003 bonds. These debt obligations expose the College to fluctuations in interest payments due to the changes in interest rates. In an effort to manage the fluctuations in cash flows resulting from interest rate risk, the College entered into an interest rate swap.

Under the interest rate swap agreement, the College received variable interest rate payments that partially hedge the variable interest rate debt, and makes fixed interest rate payments, thereby creating the equivalent of fixed-rate debt. The net swap payments (receipts) are recorded in interest expense. In July 2008, the College amended a 36-year swap from Bank of New York Mellon originated in August 2007 at a fixed rate of 3.546% on the then $70,275 of outstanding variable rate debt. There was no cash exchanged at the time the College entered into the swap due to the relationship between the variable rates and swap rate at that time. The notional amount of this swap equals the current outstanding debt of the respective issuance.

Changes in the fair market value of the interest rate swap are reported as realized/unrealized gains or losses on the interest rate swap related to bonds on the statements of activities. The valuations of the swap resulted in unrealized gains of $2,956 for the years ended June 30, 2023. The liability related to the interest rate swap agreement was $0 and $5,524 as of June 30, 2024 and 2023, respectively, is reported on the balance sheet in current liabilities. The swap was settled in November 2023 and the termination of the swap agreement resulted in a gain of $1,974 reported in the statement of activities for the year ended June 30, 2024.

9. Lease Commitments

The College is the lessee of copier equipment, vehicles and modular building space under operating leases and the lessee of a standby power generator under a finance lease. The College determines whether a contract is a lease at inception. Identified leases are subsequently measured, classified and recognized at lease commencement. The College categorizes leases with contractual terms longer than twelve months as either operating or finance. The College's leases generally have terms that range from two to five years for copier equipment and vehicles, and two years for modular building space, with certain leases inclusive of renewal options if they are considered to be reasonably assured at lease commencement. The standby power generator finance lease is a five-year lease with a one-dollar purchase option.

(Dollars in Thousands)

Right-of-use assets and lease liabilities for operating leases are included in operating leases—right of use assets and current portion and long-term lease liabilities, respectively, in the balance sheets. Finance lease right-of-use assets and finance lease liabilities are included in property, plant and equipment, net and current portion and long-term lease liabilities, respectively, in the balance sheets. Lease assets represent our right-to-use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease.

Operating lease right-of-use assets and associated lease liabilities are recognized based on the net present value of future minimum lease payments to be made over the expected lease term. To determine the net present value of future payments for operating leases, the College used the Risk Free U.S. Treasury Rate at the commencement date. Finance lease right-of-use assets and associated lease liabilities are recognized based on the net present value of future minimum lease payments to be made over the expected lease term. To determine the present value of future payments for the finance lease, the College used the borrowing rate set forth in the agreement with the lessor at the commencement date of the finance lease.

The College records short-term leases (those 12 months or less in duration) as operating expenditures in the periods in which the lease obligations are incurred.

Maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the operating and finance lease liabilities at June 30, 2024:

	Operating	Finance
Years ending June 30:		
2025	$ 165	$ 531
2026	71	132
2027	65	-
2028	25	-
Total lease payments	326	663
Less present value discount	(136)	(18)
Present value of lease liabilities	190	645
Less current portion of leases	(97)	(515)
Total long term lease liabilities	$ 93	$ 130

Weighted-average remaining lease term and discount rate for operating and finance leases as of June 30, 2024 were as follows:

Weighted average remaining lease term	
Operating leases	1.41 years
Finance leases	1.34 years
Weighted average discount rate	
Operating leases	22.22%
Finance leases	1.61%

(Dollars in Thousands)

10. Retirement Plan and Post-Retirement Benefits

Retirement Plan

The College participates in the Teachers Insurance Annuity Association (TIAA) defined contribution retirement plans that cover substantially all full-time employees of the College. TIAA is a legal reserve life insurance and annuity company. Contributions were 2.5% of all eligible employees' wages and salaries for the year ended June 30, 2024. Total College contributions were $1,776 and $0 for the years ended June 30, 2024 and 2023, respectively.

Voluntary Employees Benefit Association Plan

Effective July 2007, the College joined Emeriti Retirement Health Solutions (EMERITI), a consortium of colleges and universities organized to provide retiree health care benefits through a Voluntary Employees Benefit Association (VEBA) recognized under the IRC 501(c)(9). The Emeriti program is a defined contribution plan whose assets are restricted for use toward qualified medical expenses. All benefit eligible faculty and staff, hired after June 30, 2007 over the age of 40 participate in the plan. Benefit eligible employees hired before July 1, 2007, had the opportunity to enroll in the Emeriti plan in lieu of the College's existing retirement health programs. The College did not make any contributions in the years ended June 30, 2024 and June 30, 2023. Employees age 21 and above can also make post-tax contributions of any amount to an employee VEBA account. Employee contributions are immediately vested and contributions by the College are vested after five (5) years of continuous service. As of December 31, 2023, the plan assets totaled $13,194, consisting of $12,096 of mutual funds and $1,098 of money market funds. As of December 31, 2022, the plan assets totaled $12,286 consisting of $11,222 of mutual funds and $1,064 of money market funds.

Post-Retirement Healthcare Plan

The College provides funds for healthcare benefits of eligible retirees (hired prior to July 1, 2007) for a period of 5 years after their date of retirement. In order to participate, benefits eligible employees must retire from the College at age fifty-five or older with at least 15 years of service. The College accrues the cost of the post-retirement benefits during the service lives of employees. The plan is a recorded liability of the College, but does not have offsetting dedicated assets. The College therefore funds the benefits on a pay as you go basis.

The following sets forth the status of the Post-Retirement Healthcare Plan and the accumulated post-retirement benefit obligation (APBO) as of June 30, 2024 and 2023:

	2024	2023
Change in projected APBO		
Benefit obligation at July 1:	$ 1,799	$ 1,165
Service cost	21	25
Interest cost	112	97
Plan amendment	-	91
Actuarial (gain)/loss	(27)	645
Benefits paid	-	(224)
Total projected APBO at June 30	$ 1,905	$ 1,799
Amounts recognized in the balance sheets		
Current liabilities, accounts payable and accrued liabilities	$ 241	$ 402
Noncurrent liabilities	1,664	1,397
Total projected APBO	$ 1,905	$ 1,799

(Dollars in Thousands)

The following sets forth the status of the plan as of June 30, 2024 and 2023:

	2024	2023
Accumulated post-retirement benefit of obligation (APBO)		
Retirees	$ -	$ -
Active employees	1,905	1,799
Total APBO	$ 1,905	$ 1,799

The components of net periodic post-retirement benefit cost (NPPBC) for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Interest cost	$ 112	$ 97
Service cost	21	25
Amortization of unrecognized loss (ALG)	55	54
Amortization of unrecognized prior service cost	(82)	(82)
Net periodic post-retirement benefit expense	$ 106	$ 94

The actuarial losses yet to be recognized in the net periodic post-retirement benefit cost as of June 30, 2024 and 2023 are $(330) for both periods.

The assumed healthcare cost trend rates range from a high of 7.3% in fiscal year end 2024 to a low of 4.7% by fiscal year end 2028. A one-percentage point increase in the assumed healthcare cost trend rate for each year would increase the accumulated post-retirement benefit obligation as of June 30, 2024 by approximately 13%, or $241. A one-percentage point decrease in the assumed healthcare cost trend rate for each year would decrease the accumulated post-retirement benefit obligation as of June 30, 2024 by approximately 11%, or $(205). The assumed discount rate used in determining the net periodic post-retirement benefit cost is 5% and the accumulated post-retirement benefit obligation is 5.4% for 2024. In 2023, the net periodic post-retirement benefit cost was 4.2% while the accumulated post-retirement benefit obligation was 5%.

Benefits expected to be paid in the next fiscal years are:

Years ending June 30:	
2025	$ 241
2026	-
2027	-
2028	-
2029	-
Thereafter	797

It is reasonably possible that changes in these estimates could occur in the near term and that actual results could differ from these estimates and could have a material impact on the financial statements.

11. Related-Party Transactions

As of June 30, 2024 and 2023, $2,386 and $307, respectively, of contributions receivable are due from members of the Board of Trustees and officers of the College. As of June 30, 2024 and 2023, there is a forgivable loan to an employee with an outstanding balance of $258 and $305, respectively.

12. Commitments and Contingencies

Financial awards from federal and state agencies, including the U.S. Department of Education, in the form of grants are subject to audit by the agencies. Such audits could result in claims against the College for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

The College is contingently liable in connection with claims and contracts, including those currently in litigation arising in the normal course of its activities. In the opinion of management, the results of these matters will not have a significant impact on the financial statements.

Outstanding commitments on construction contracts amounted to approximately $4,803 at June 30, 2024. The College has entered into agreements with companies for services related to enrollment management, facilities, consulting, information technology and telecommunications. Future commitments are as follows: 2025 - $1,918; 2026 - $718; 2027 - $654; 2028 - $590 and 2029 - $99.

13. Endowments

General

The College's endowment consists of approximately 370 individual funds established for a variety of purposes. Its endowment includes true endowment funds, funds functioning as endowments and board reserves. True endowment funds are subject to the donor restrictions on gift instruments. These restrictions require that the principal be invested in perpetuity and that only the income and gains may be utilized. Funds functioning as endowment have been established by the Board of Trustees to address the same requirements of endowment funds. Board reserves have been established by the Board of Trustees as long-term reserves for operations. Funds functioning as endowment and board reserves differ from true endowment funds because any portion of these funds may be expended. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments or board reserves, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment investments are recorded at market value of $178,195 and $169,215 for the years ended June 30, 2024 and 2023, respectively. The total return on all investments held by the endowment funds, on a market basis, was 4.87% and 5.44% for the years ended June 30, 2024 and 2023, respectively.

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that strive to provide a source of income for spending that is reasonably stable and predictable from year-to-year, while seeking to preserve capital, maintain the purchasing power of the endowment assets and prudently earn the highest possible rate of return consistent with the College's ability to accommodate risk. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner to provide an average real total return of 5%, net of fees. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation including asset classes such as public equities, fixed income and alternative assets in order to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Board of Trustees designates only a portion of the College's cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines.

In developing its spending policy, the College considers certain of the following factors which it determines relevant:

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the College
7. The investment policies of the College

The Board has adopted a policy to appropriate for distribution during each fiscal year an amount per endowment unit calculated at a rate no greater than 5.0% of the average endowment market value per endowment unit from the preceding 12 quarters established as of the end of the calendar year prior to the beginning of the fiscal year. In the fiscal year ended June 30, 2023, the Board appropriated an additional $10,987 from board designated endowment funds for scholarships, board reserve for capital spending, Enterprise Resource Planning (ERP) costs. There was no additional appropriation in the year ended June 30, 2024.

Interpretation of Relevant Law

The College's governing board has interpreted the California enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. See Note 2 for further information on net asset classifications.

Funds With Deficiencies

Because UPMIFA does not establish a fixed level below which an endowment fund is not permitted to fall, there are no deficiencies in the endowment funds held by the College. Notwithstanding the foregoing, the College does maintain records of the sum of: (a) the original value of gifts donated to each endowment fund, (b) the original value of subsequent gifts to each endowment fund and (c) accumulated gains/losses to each such endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Deficiencies may result from unfavorable market fluctuations that occur after the investment of new contributions to endowment funds and continued appropriation for certain programs that is deemed prudent by the

(Dollars in Thousands)

Board of Trustees. At June 20, 2024, there were approximately 41 funds with book value of $25,319, market value of $24,016 and deficiencies totaling $1,303.

The Board adopted a modification to its spending policy for donor restricted endowment funds with deficiencies. Spending from these funds will be limited to actual income earned when their current market values fall below 75% of original gift values.

Endowment Net Asset Composition by Type of Fund as of June 30, 2024

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gains	Total	Total June 30, 2024
Board-designated endowment fund	$ 25,843	$ -	$ -	$ -	$ 25,843
Donor-restricted endowment funds	-	106,145	46,890	153,035	153,035
Total endowment net assets	$ 25,843	$ 106,145	$ 46,890	$ 153,035	$ 178,878

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 24,663	$ 145,934	$ 170,597
Investment returns	2,182	11,783	13,965
Appropriation of endowment assets for expenditure:			
Operating	(805)	(7,205)	(8,010)
Nonoperating	(470)	-	(470)
Gifts	273	2,228	2,501
Actuarial adjustments on deferred gifts	-	263	263
Transfers and adjustments	-	32	32
Endowment net assets, end of year	$ 25,843	$ 153,035	$ 178,878

Changes in Endowment Net Asset Composition by Type of Fund as of June 30, 2023

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gains	Total	Total June 30, 2023
Board-designated endowment fund	$ 24,663	$ -	$ -	$ -	$ 24,663
Donor-restricted endowment funds	-	117,592	28,342	145,934	145,934
Total endowment net assets	$ 24,663	$ 117,592	$ 28,342	$ 145,934	$ 170,597

(Dollars in Thousands)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 35,108	$ 149,757	$ 184,865
Investment returns	535	8,280	8,815
Appropriation of endowment assets for expenditure:			
Operating	(24)	(13,806)	(13,830)
Nonoperating	(10,987)	(229)	(11,216)
Gifts	31	2,026	2,057
Actuarial adjustments on deferred gifts	-	82	82
Transfers and adjustments	-	(176)	(176)
Endowment net assets, end of year	$ 24,663	$ 145,934	$ 170,597

14. Liquidity and Availability

The following reflects the College's financial assets as of the balance sheets date, which are available for expenditure within the next fiscal year, reduced by amounts not available because of contractual or donor-imposed restrictions. Amounts not available include amounts set aside by the Board of Trustees for long-term investment as board-designated endowments. However, board action could allow the College to draw upon those funds.

	2024	2023
Financial assets, at year-end	$ 235,593	$ 216,798
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(153,115)	(146,012)
Subject to appropriation and satisfaction of donor restrictions, contributions, notes and accounts receivable collectible beyond one year	(10,369)	(12,619)
Investments held in required reserve for SWAP, included in quasi-endowment fund	-	(5,524)
Investments held in annuity trust	(3,501)	(3,491)
Board designations:		
Quasi-endowment fund, primarily for long-term investing	(25,843)	(19,139)
Subsequent year appropriation of endowment earnings	9,400	9,300
Financial assets available to meet cash needs for general expenditures within one year	$ 52,165	$ 39,313

The College seeks to maintain financial assets on hand to meet 60 - 90 days of normal operating expenses, which is approximately $23,000 - $35,000. Due to the majority of tuition dollars coming in the fall and spring, the liquidity reported above at June 30 is lower than at most other times during the year.

The College's financial statements have been prepared assuming that the College will continue as a going concern. The College's tuition and fees, contribution revenues and other revenues and gains have not been sufficient to cover operating costs, capital improvements and debt service, without the approval by the Board for additional draws on the endowment above the College's established spending policy (see Note 13). These conditions are possible indicators that substantial doubt about the College's ability to continue as a going concern exists in the absence of the implementation of an effective management plan to enhance the College's cash flows to cover operating costs.

Management's plan to address the operational shortfalls include rightsizing to a student body of 200 fewer students than historic (pre-COVID) enrollments while simultaneously launching a growth plan that includes new programs with high market interest and post-graduation employment prospects. Specific actions taken are as follows:

- Increasing net tuition revenue by reducing discounts for new incoming students
- Identifying additional sources of revenue
- Selling of underperforming real estate properties (Note 1)
- Reducing operating costs from the 2024 base period
- Restructuring the organization's model to be more streamline and efficient
- Reassessing certain academic and sports programs to reduce cash requirements
- Deferring certain strategic initiatives until cash flows improve
- Implementing expenditure controls, including enhance cash flow management

In order to continue as a going concern, the College is dependent on the remaining $16,000 of bond proceeds for working capital and the Board of Trustees' approval for additional spending from the endowment to support operational deficits. The Board was appraised of a potential draw of $43,000 to support operations in fiscal 2025, in addition to the annual $9,400 draw based on the spending rate. See Note 13 for more information regarding the spending from the endowment and the Board's interpretation of the Uniform Prudent Management of Institutional Funds Act adopted by the California legislature (UPMIFA). The College concludes that management's plan alleviates the substantial doubt about the College's ability to continue as a going concern.

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